



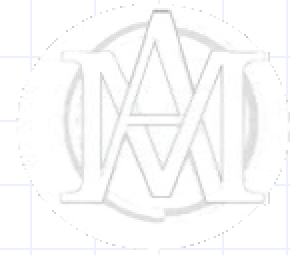
Medical Alley[®]

Bringing Together Healthcare's Best

Medical Alley – Building an Environment for Innovation

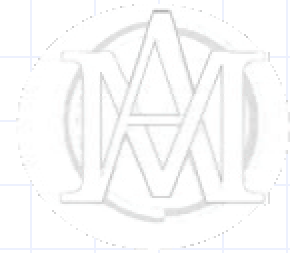
Wisconsin's Intellectual Capital in Medical Technologies and Devices
September 25, 2003

Overview

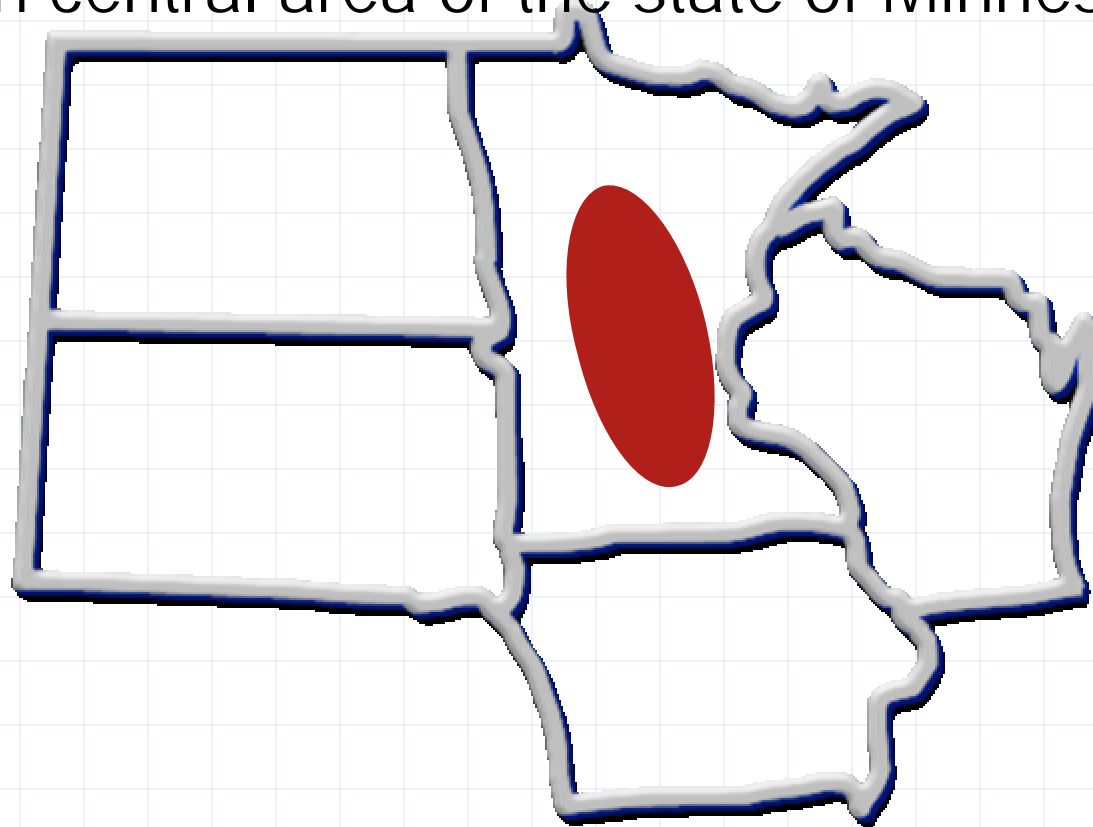


- ◆ Medical Alley - what is it?
- ◆ Historical development
- ◆ Present situation
- ◆ Outlook

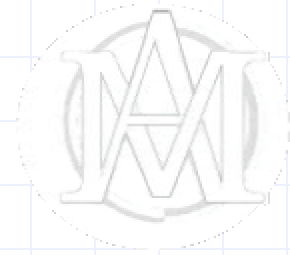
What is It?



Geography of a 350 mile stretch: Rochester to north central area of the state of Minnesota

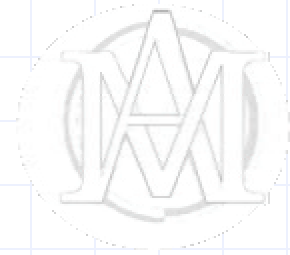


What is It?



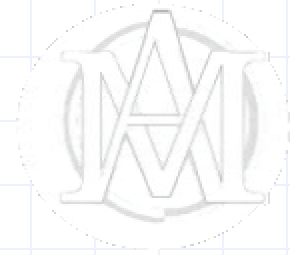
- ◆ Geography of 350 mile stretch: Rochester to north central area of the state of Minnesota
- ◆ Minnesota-based trade association of over 350 member organizations
 - 90% US members
 - 10% international members
 - 105% growth in last two years
 - Member organizations employ about 250,000 in MN - thousands more nationally and internationally

Medical Alley's Mission



*To serve as a collaborative forum
which promotes an environment to
enhance innovation in health care.*

Trade Association History



- ◆ Founded 1984
- ◆ Started by the device makers for device makers (e.g., Medtronic, St. Jude Medical, Guidant, Boston Scientific)
- ◆ Now includes any organization participating in the health care industry

Member Organizations Now Include...



Device/Pharma/Bio

- ◆ Medtronic
- ◆ St. Jude Medical
- ◆ 3M
- ◆ Guidant
- ◆ Pfizer
- ◆ Novartis

Insurers/HMOs

- ◆ Blue Cross
- ◆ Health Partners
- ◆ Preferred One

Economic Development Organizations

- ◆ Minnesota
- ◆ Canadian provinces
- ◆ European countries
- ◆ Other states & countries

- ◆ Mayo Clinic
- ◆ Fairview Health System
- ◆ Health East

Providers

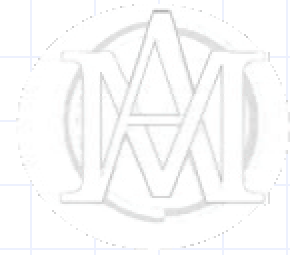
- ◆ University of Minnesota
- ◆ Community Colleges

Educators & Universities

- ◆ Consultants
- ◆ Attorneys
- ◆ Clinical Research Orgs.
- ◆ IT/Software

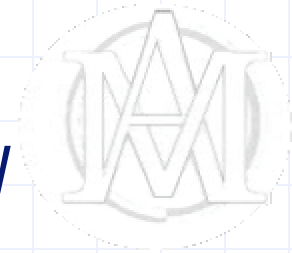
Companies Providing Assistance...

Changing to Enhance Innovation



- ◆ How did all this happen?
- ◆ Shaping the Medical Alley organization to fit new challenges for the region

A Quick Business History/Overview

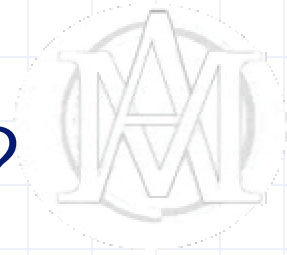


Home for:

- ◆ General Mills
- ◆ 3M
- ◆ Pillsbury
- ◆ Honeywell
- ◆ US Bank/PJ
- ◆ RBC/Dain
- ◆ St. Paul Companies
- ◆ Mayo Clinic
- ◆ Northwestern National Life
- ◆ Cargill
- ◆ Carlson Companies
- ◆ United Health Group
- ◆ Medtronic
- ◆ St. Jude Medical
- ◆ Guidant
- ◆ Boston Scientific
- ◆ Northwest Airlines

(major diversification of industry)

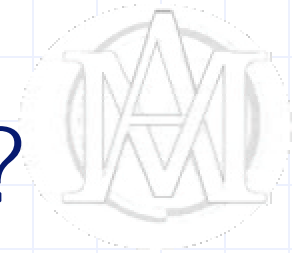
How Does Minnesota Measure Up?



Nationally

#1 to #3:	Health of citizens
#1 to #3:	Best state to live in
#1 to #3:	K – 12 education
#7:	Software engineering pop.
#3: development & production	Medical technology

How Does Minnesota Measure Up?

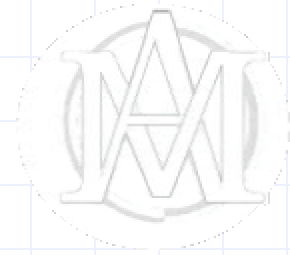


Internationally

- ◆ #1: Knowledge/tech-based business source
- ◆ Top 10 business and medtech patents

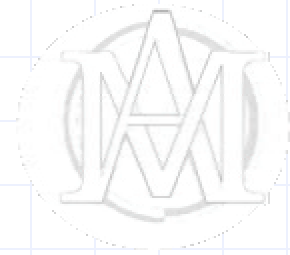


Medical Technology & Health Care



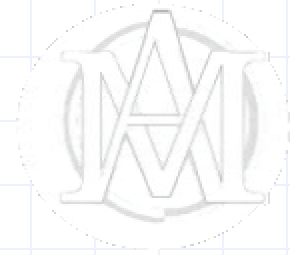
- ◆ University of Minnesota
- ◆ Mayo Clinic
- ◆ Medtronic
- ◆ St. Jude Medical
- ◆ 3M
- ◆ Hundreds of spin-offs and start-ups coming from these organizations

Spin-Offs & Start-Ups



- ◆ About 70% of the people employed in Minnesota's medical development and manufacturing are in companies of 100 employees or smaller
- ◆ R & D source, IPO, and merger acquisition source for the big companies

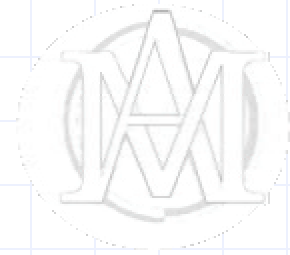
Other Alley Statistics



Over 500 FDA-registered medical manufacturers in Minnesota:

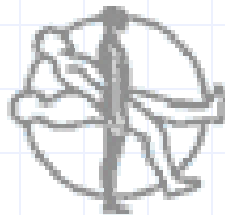
- ◆ Employ between 35,000 and 50,000 people
- ◆ Average pay rate of over \$50,000 per year

Case Example



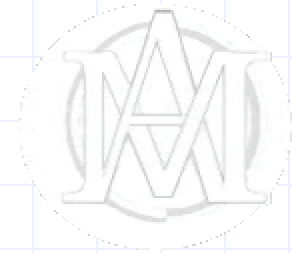
Medtronic – then...

- ◆ Garage start-up 50 years ago
- ◆ University of Minnesota doctor and an electrical engineer



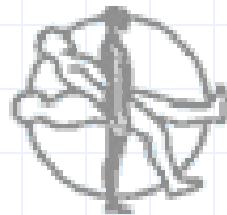
Medtronic
When Life Depends on Medical Technology

Case Example



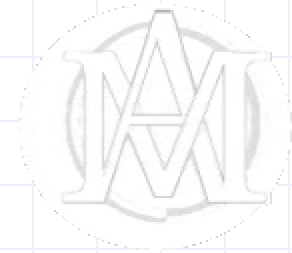
Medtronic – now...

- ◆ Today: International scope
- ◆ Sales: \$6.1 billion
- ◆ Market Cap: \$45.9 billion
- ◆ Stock: \$50/share
- ◆ Splits: Five times since 1991



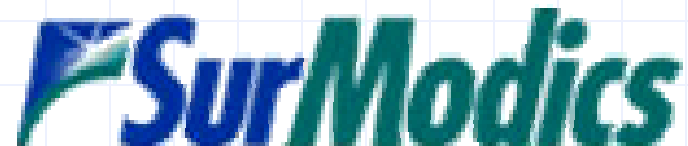
Medtronic
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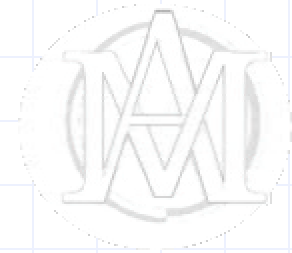


Surmodics – then...

- ◆ Started 12 years ago by Ph.D. and former Medtronic CEO
- ◆ Bio-technology with a twist!



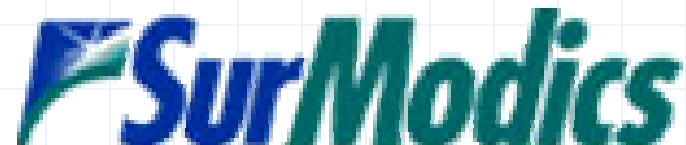
Case Example



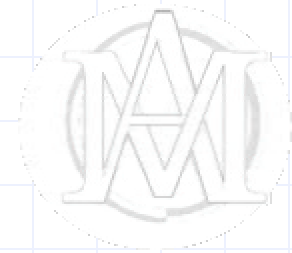
Surmodics – now...

- ◆ Today: Extremely fast growing
- ◆ Sales: \$30 million
- ◆ Market Cap: \$600 million
- ◆ Stock: \$30/share

\$3.00 share price in October '99



Case Example

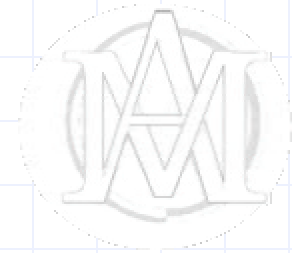


St. Jude Medical – then...

- ◆ University of Minnesota doctor and an entrepreneur – 25 years ago
- ◆ Cardiac focus – valves and pacers

 **ST. JUDE MEDICAL**

Case Example



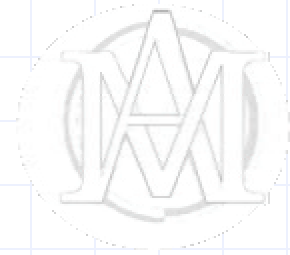
St. Jude Medical – now...

- ◆ Today: International scope
- ◆ Sales: \$1.8 billion
- ◆ Market Cap: \$6.5 billion
- ◆ Stock: \$55/share
- ◆ Splits: 1990, 1995, 2002

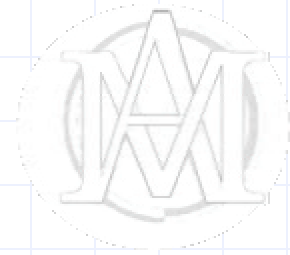
(on a tear right now with major cardiac surgery improvement. 7,200% return on pre-IPO investment)



Impact of Medical Manufacturing on the State



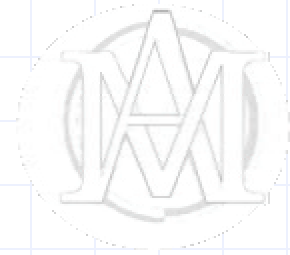
*The ten largest of the 500
manufacturers produce about \$13 billion
in worldwide sales per year*



Situation for the Region

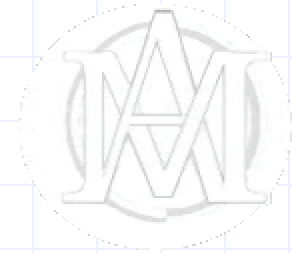
- ◆ Health care businesses on the move
- ◆ Good projections for 5 to 10 years
- ◆ Ideas, collaborations, funding, etc. don't stop at borders
 - Midwest region and other areas coming together
- ◆ Need for preserving and growing the sector vs. 1970s loss of mainframe and software
 - Cray Research, Control Data, Unisys...????

Situation for the Region



- ◆ **Very** difficult process for early-stage/ developmental companies to find either funding or expertise
- ◆ **Major hole** in early stage investing (the VCs are investing in later rounds via de-pressed price & dot-com shock)

Medical Alley's Role?

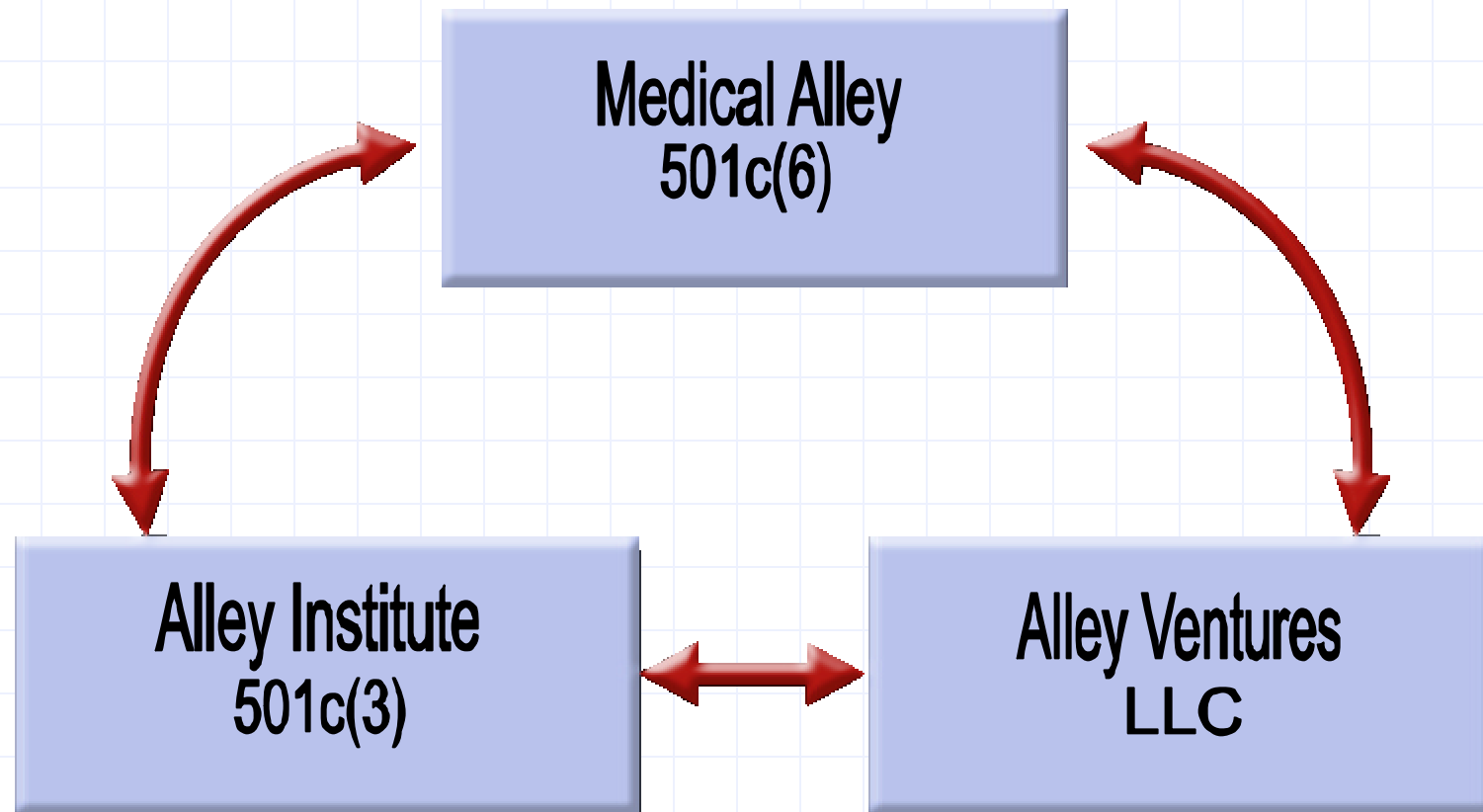


"A collaborative forum that promotes an environment to enhance innovation in health care."

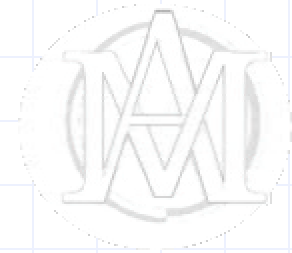
"Bringing Together Health Care's Best"

Design for Collaboration and Innovation

Strategic Design Change Began About 2 Years Ago



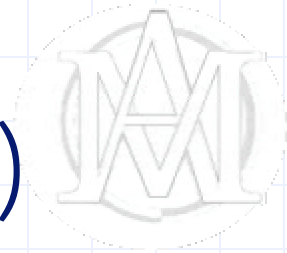
Medical Alley's Present Situation



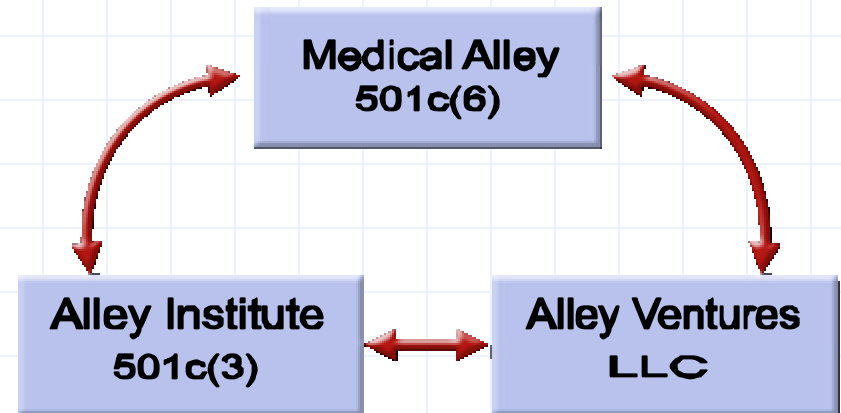
- ◆ Over 350 member organizations
 - Growing at about 50% per year
 - Growing outside of Minnesota (Midwest, US, Canada, International)
 - Member organizations employ 250,000 in MN
- ◆ Increasing value of membership
- ◆ Bringing together a broad range of businesses, locations and interests to learn, grow and lead

“The Who’s Who In Health Care and the Life Sciences”

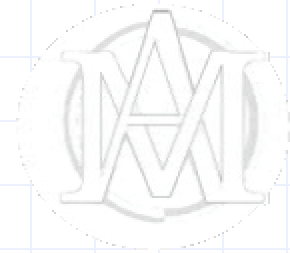
Medical Alley Association -- 501c(6)



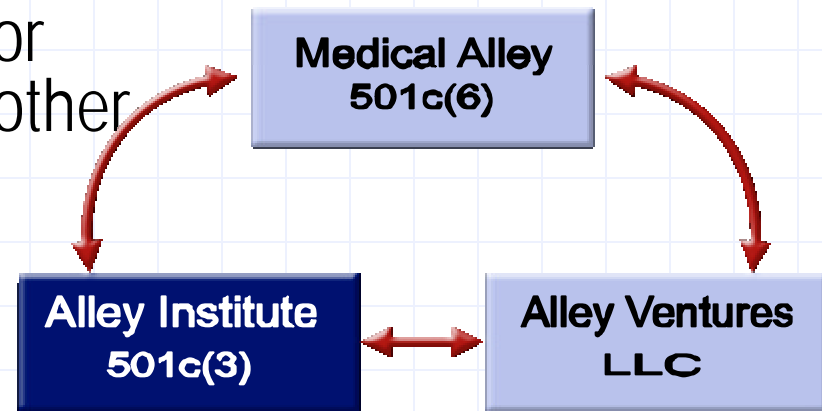
- ◆ Membership services
- ◆ Education/training
- ◆ Legislative & regulatory activities
- ◆ Business connections & networking
- ◆ Annual Health Care Technology Conference & Expo



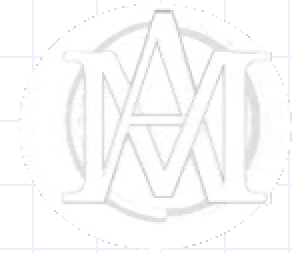
Alley Institute Strategy



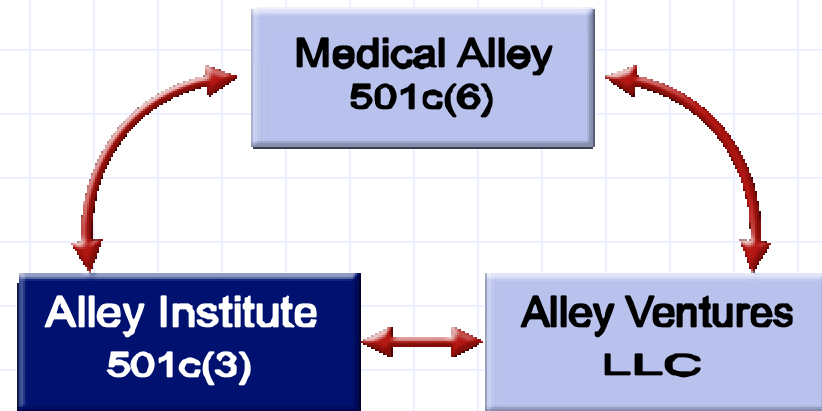
- ◆ Avenue to obtain grants for “Convening Initiatives” & other large projects
- ◆ Industry issue focus
 - Research initiatives
- ◆ Collaborate with other not-for-profit organizations
- ◆ SBA – SBIR
- ◆ Engage a broader range of member organizations



Alley Institute Results (To-Date)

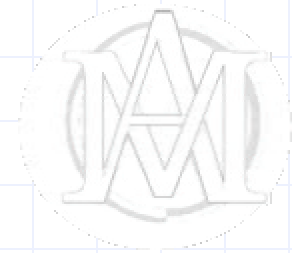


- ◆ MAC:CIM
- ◆ Scholarship fund
- ◆ Class-in-a-Box™
- ◆ Korean nurses
- ◆ Med Tech Management Mini-MBA with UST
- ◆ Managing grants

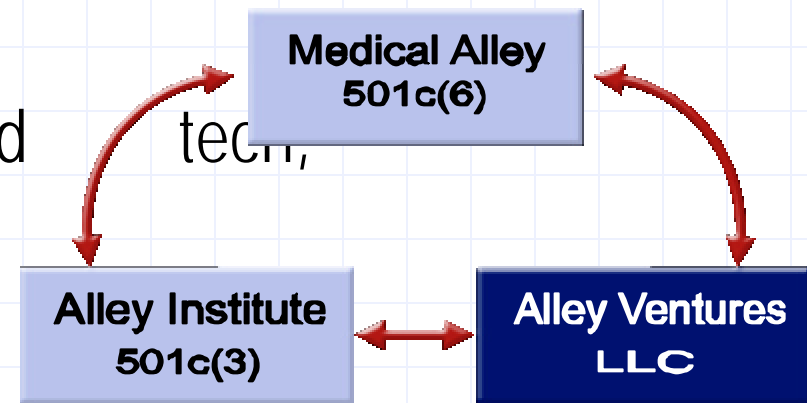


MINNESOTA PARTNERSHIP
TO IMPROVE END OF LIFE CARE

Alley Ventures LLC Strategy

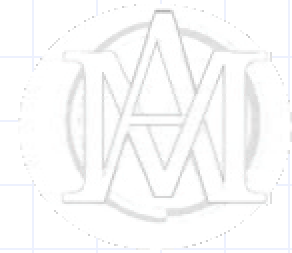


- ◆ Provide engine for new ideas/technology to fuel med life sciences and biosciences industries



- ◆ Help emerging companies "muscle up" more quickly so other investors can take forward to next stages

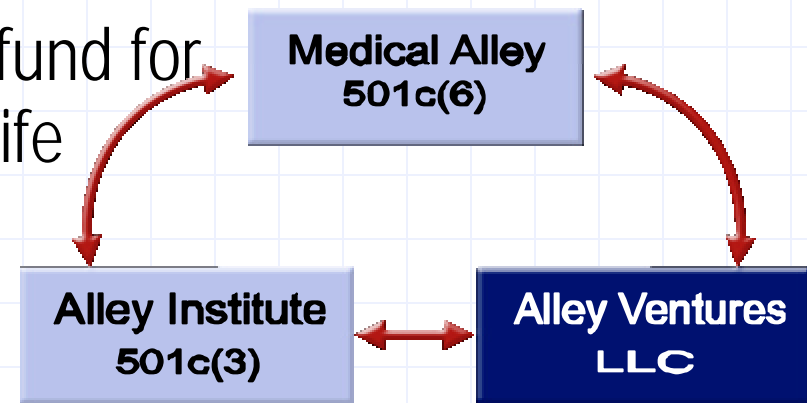
Alley Ventures LLC Strategy



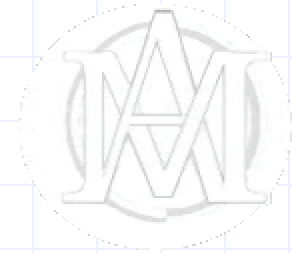
- ◆ \$25-\$50 million early stage fund for med tech, biosciences and life sciences companies

- ◆ MN & Midwest focused with international possibilities

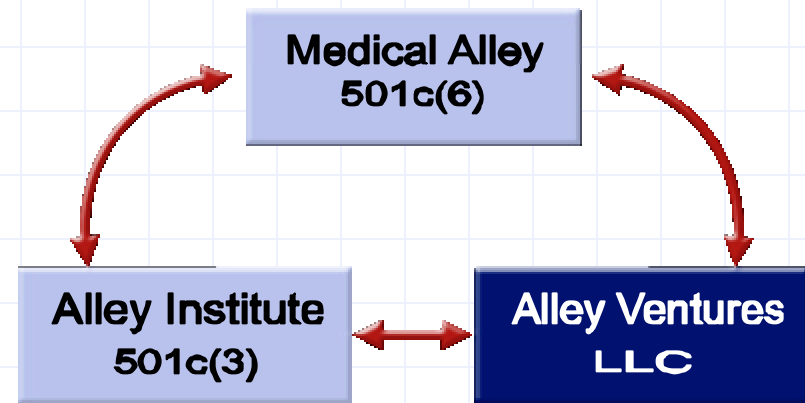
- ◆ \$50,000 to \$1,000,000 investments



Alley Ventures LLC Strategy



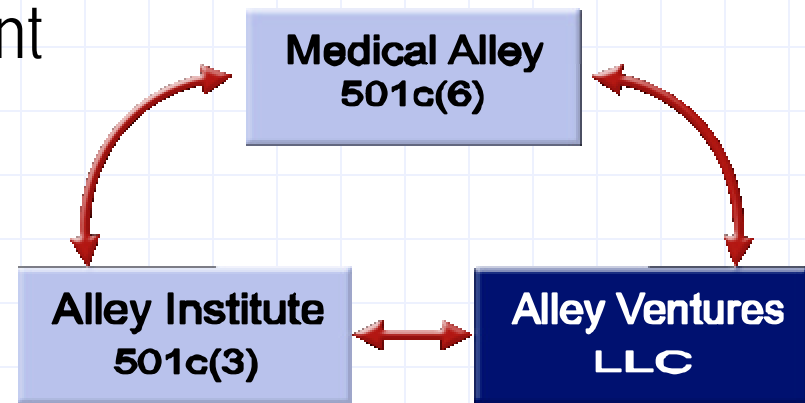
- ◆ Build expertise & resource “plug-ins”
- ◆ Network with other regions & businesses
- ◆ Provide major “first look” potential
- ◆ Strong U of MN and Mayo potential



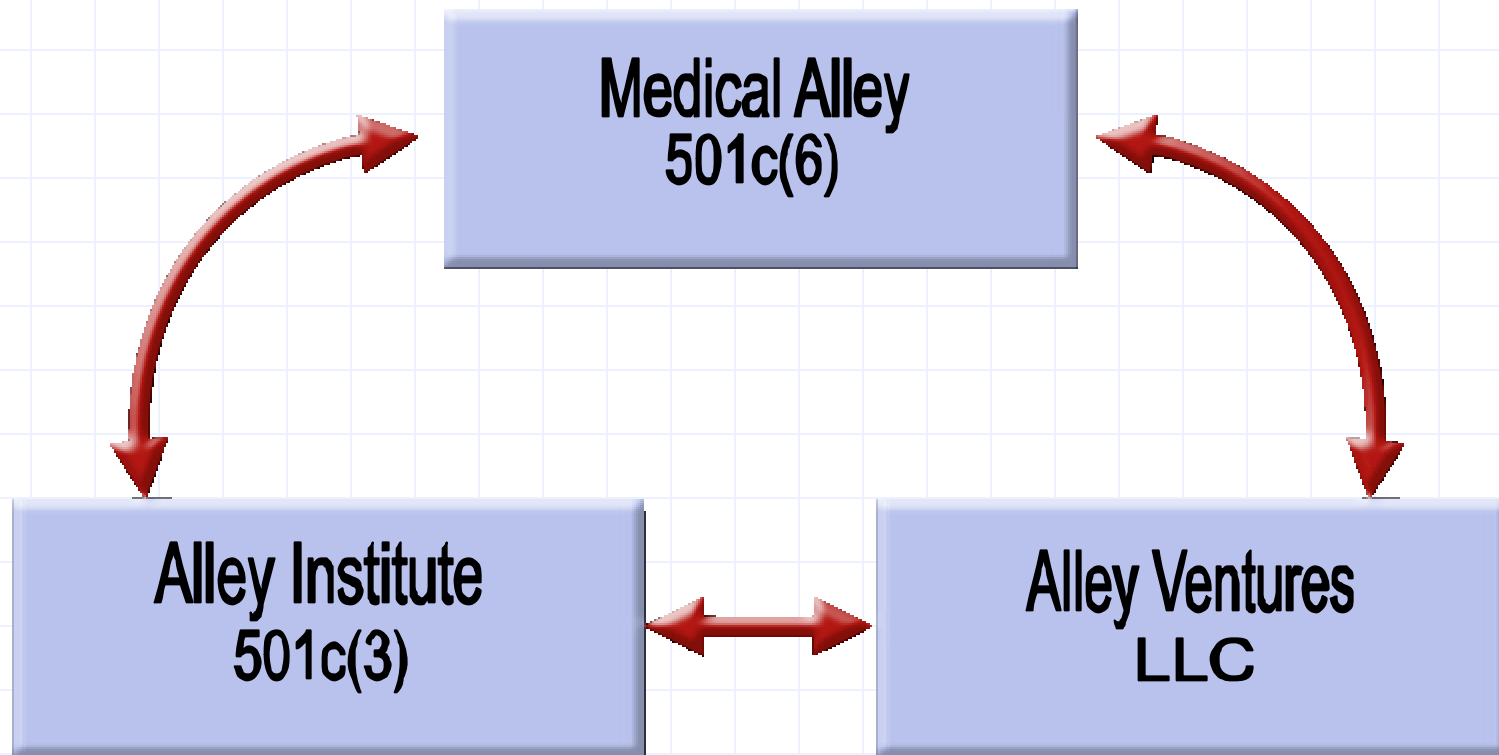
Alley Ventures LLC - Progress To- Date



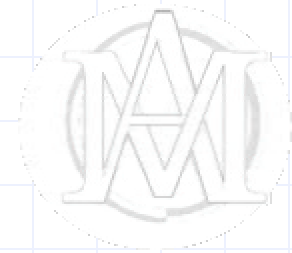
- ◆ Medical Alley start-up grant
- ◆ Prospectus completed
- ◆ Hiring management team
- ◆ Talking with potential investors
- ◆ On the ground in 90 days
- ◆ 2nd Annual Medtech Investing Conference attracted investors from 19 states and 6 countries



Medical Alley's Design for it's Mission



Leverage Medical Alley's Unique Position



- ◆ Top area in the world for health care and leading edge medical technology developments
- ◆ Showcase companies in the region and create environment where broad cross-section of professionals from around the world can collaborate & innovate
- ◆ Medical Alley hosting new MedEdge™ International Conference, June 23-25, 2004 in Minneapolis





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Medical Alley – Building an Environment for Innovation

Wisconsin's Intellectual Capital in Medical Technologies and Devices
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